AMERICAN VANADIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Background

This management discussion and analysis ("MD&A) of financial position and results of operation for American Vanadium Corp. (the "Company" or "American Vanadium") is prepared as at April 29, 2014. This MD&A should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2013.

The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "AVC" and are quoted on the OTCQX under the symbol "AVCVF".

Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements include but are not limited to statements regarding the outcomes and timelines for permitting and mining the Company's mineral reserves, the timelines for successfully developing an off-take market for the Company's mineral reserves, the Company's ability to enter the energy storage market, and its ability to obtain the financing required to maintain its operations. These statements involve a number of known and unknown risks, uncertainties and other factors, such as the Company's actual mineral reserves, the costs required to convert these reserves into high-value vanadium products and the prices obtained for these products; the development of mass energy storage in North America and globally, which itself is dependent on energy prices, adoption rates for storage technologies and governmental climate and energy policies; and the acceptance of the Company's strategy by financial markets. Outcomes other than those assumed herein may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Company Overview

Resource development

Headquartered in Vancouver, Canada, the Company is a junior mining company focusing on the exploration and development of vanadium resources in the United States. The Company's primary exploration property is the Gibellini Property ("Gibellini"), located in Eureka County, Nevada. In September 2011, the Company announced results from a feasibility study of Gibellini and an updated National Instrument 43-101 technical report was released in October 2011.

As of the date of this MD&A, Gibellini is in the environmental permitting stage with the US Bureau of Land Management the Nevada Division of Environmental Protection.

Energy storage

In conjunction with the objective of developing Gibellini, the Company's strategy is to become an integrated provider of high-value vanadium products, such as vanadium electrolyte which is used for large-scale energy storage. In May 2013, the Company entered into a master sales agreement with Gildemeister Energy Solutions, Cellstrom GmbH ("Gildemeister") of Germany, whereby the Company will market and sell Gildemeister's CellCube vanadium redox flow energy storage systems in North America. This agreement represents a significant step towards the Company becoming a provider of energy storage and micro grid solutions in North America, and provides for a potential high-value off-take avenue for Gibellini.

Subsequent to December 31, 2013, the Company announced agreements for the two installations of CellCube vanadium redox flow energy storage systems. The first, announced in February 2014, is with the U.S. Department of Energy's National Renewable Energy Laboratory who will evaluate and demonstrate the first CellCube vanadium redox flow energy storage system in North America at its facility in Golden, Colorado. The second, a partnership with the New York State Energy Research and Development Authority announced in April 2014, is a commercial demonstration of a multi-unit system hosted by the Metropolitan Transportation Authority ("MTA") and the New York City Transit Office of Strategic Innovation and Technology. The installation will be at MTA's facility at 2 Broadway in downtown Manhattan and is also supported by ConEdison and the Advanced Energy Research Technology Center at Stoney Brook.

Currently, the Company is focusing its operational resources on four primary initiatives:

1. Developing and executing a sales strategy for Gildemeister's CellCube energy storage in North America.
2. Developing the metallurgical process to create vanadium electrolyte initially using commercially available vanadium oxides and ultimately using the product from Gibellini.
3. Continuing to work with regulatory agencies to obtain permits required to develop a mine at Gibellini. To date, the permitting process has been moving forward positively.
4. Securing short and long-term financing for operating and project requirements. In the year ended December 31, 2013, the Company closed private placement equity financings for net proceeds totalling $6,728,246, and subsequent to December 31, 2013, an additional $4,000,000 in gross proceeds was raised. The Company has engaged various consultants to identify additional sources of financing for working capital purposes and for the development of Gibellini.

Mineral Property Overview

The following mineral property overview has been reviewed and approved by Alan Branham, a member of the American Institute of Professional Geologists (CPG#10979), a Certified Professional Geologist, and a "qualified person" as that term is defined in National Instrument 43-101.

Gibellini Property, Eureka County, Nevada

The Gibellini Property is approximately 4,254 acres in area and consists of 428 unpatented lode mining claims and seven placer claims. Of the unpatented lode claims, the Company holds 100% title to 376 claims. The remaining 52 claims are leased through on-going payments of US$144,000, annually. These payments are treated as prepayments of net smelter royalties on future mine production from the property. The Company also holds title to the seven placer claims.

American Vanadium conducted a drilling program to obtain samples for metallurgical testing and verification of historic drill data. All metallurgical test work was performed by McClelland Laboratories (McClelland), of Sparks, NV. The holes were sited and drilled north and south of the holes used for a 2008 preliminary economic assessment to obtain a spatial representation of the mineralization across Gibellini. Metallurgical analysis performed on mineral samples from Gibellini indicates that the property's unique disseminated, sedimentary deposit allows for simple, sulphuric acid heap leach processing.

American Vanadium and previous operators have drilled a total of 280 drill holes (51,265 ft) on Gibellini since 1946, comprising 16 core holes (4,046 ft), 169 rotary drill holes (25,077 ft; note not all drill holes have footages recorded) and 95 RC holes (22,142 ft).

The Company engaged AMEC of Sparks, Nevada to produce a feasibility study (the "Feasibility Study") and a National Instrument 43-101 compliant technical report (NI 43-101 Technical Report, Gibellini Vanadium Project, Nevada, USA by Hanson, Orbock, Hertel and Drozd, August 31, 2011) covering the Gibellini Hill and Louie Hill deposits on the Gibellini Property (the "Technical Report"). The Feasibility Study was completed in September 2011, with the Technical Report released in October 2011. The Technical Report is available on www.sedar.com, but readers are cautioned that market pricing and development cost estimates contained therein are forward-looking statements, and are subject to the same risks and uncertainties described under the heading, "Forward-Looking Statements" in this MD&A.

The following operational, regulatory, and environmental steps have been taken in order to advance Gibellini towards development:

1. In 2013, a contractor to the Company completed the basic engineering phase of an engineering, procurement and construction management ("EPCM") contract.
2. In December 2012, the Company submitted its Plan of Operation to Bureau of Land Management ("BLM") and Nevada Division of Environmental Protection ("NDEP") to obtain all required operating permits and approvals. The Plan of Operations, which details the plan for Gibellini from mine design, to processing facilities, to reclamation plan, was deemed complete by the BLM and the Notice of Intent to Prepare an Environmental Impact Statement was published in the Federal Register on April 22, 2013. Importantly, the Plan of Operations incorporates numerous product outputs for high purity vanadium products including electrolyte for the vanadium flow battery market.
3. The Company has hired key personnel to oversee the permitting and development stages of Gibellini. The Vice President, Environmental was appointed in 2012 to lead the current environmental permitting of Gibellini, as well as on-going environmental management. In 2013, the Company hired an operations manager and metallurgist.

Del Rio and Hot Creek Projects, Eureka County, Nevada

In September 2010, the Company acquired mineral rights to the Del Rio Project ("Del Rio"), a vanadium project located approximately eight miles south of Gibellini. These wholly-owned mineral rights carry no royalty burden and were acquired by staking 120 unpatented lode claims on lands administered by the Bureau of Land Management.

In 2010, a smaller vanadium prospect, Hot Creek, was also acquired by staking 18 claims south of Del Rio with vanadium bearing shale, similar in geologic setting to Gibellini. This prospect will be explored along with the Del Rio.

Selected Annual Information

As an exploration-stage company, American Vanadium does not have any operating revenues and its accounting policy is to expense exploration and evaluation expenditures incurred until technical and economic feasibility on a specific property has been established and the Company has obtained sufficient financing to fund mine development. The Company has established the technical and economic feasibility on its primary mineral property, Gibellini, but does not have the funds required for development. As such, the Company continues to recognize an expense for all exploration and evaluation expenditures as incurred.

To date, the Company has not earned any revenues from vanadium sales, has not declared any cash dividends, and has not held any long-term debt.

Selected annual information is as follows:

	December 31 2013	December 31 2012	December 31 2011
	$	$	$
Balance Sheet:			
Cash	**1,460,897**	1,716,318	4,245,438
Total assets	**3,841,734**	4,648,886	7,494,268

	For the year ended December 31	For the year ended December 31	For the ten months ended December 31*
	2013	2012	2011
	$	$	$
Operations:			
Net comprehensive loss	**8,279,545**	7,272,128	4,890,445
Basic and diluted loss per share	**0.22**	0.25	0.20

* In 2011, the Company changed its fiscal year-end from February 28 to December 31, so its third most recent fiscal period is a ten-month period.

Total assets

The decrease in total assets as at December 31, 2013 to $3.8 million from $4.6 million as at December 31, 2012 is a result of cash expenditures for operating activities of $6.5 million which were largely incurred for exploration and evaluation expenses on Gibellini and for salaries and consulting expenses, as well as a $0.6 million impairment of a deferred engineering management deposit and a $0.4 million write-off of certain capitalized water rights. These reductions to total assets were partially offset by $6.8 million in proceeds from equity financings during 2013.

The decrease in total assets as at December 31, 2012 to $4.6 million from $7.5 million as at December 31, 2011 is largely a result of cash expenditures for operating activities of $4.9 million, net of $0.7 million that that has been recorded as a deferred engineering management expense. These net operating expenditures were incurred for exploration and evaluation expenses relating primarily to pre-permitting work on Gibellini and for general and administrative expenses. Partially offsetting these cash outflows was a $3.5 million increase in cash from the sale of shares during 2012.

Net comprehensive loss

As the Company has no sources of operating income, the trend towards larger net comprehensive losses, from $4.9 million for the ten months ended December 31, 2011 to $7.3 million for the year ended December 31, 2012 and further to $8.3 million for the year ended December 31, 2013 is primarily a result of increasing exploration and evaluation activity on Gibellini.

During the period ended December 31, 2011, the Company incurred significant costs as it prepared the Feasibility Study. During the year ended December 31, 2012, the Company incurred significant permitting and engineering costs related to the Plan of Operation. During the year ended December 31, 2013, the Company incurred significant costs relating to environmental permitting and metallurgy. Additionally, the Company wrote-off $0.4 million capitalized payments for water rights following the cancellation of the related rights agreements and recognized a $0.6 million impairment of a deposit for an EPCM contract.

As field-work on Gibellini expanded, so have the Company`s corporate expenses. As a result, costs have increased for additional staff and consultants engaged to oversee field operations at Gibellini, to develop and implement the Company`s strategy to operate in the high-value vanadium product supply chain, to promote the Company to capital markets, and to manage the Company`s daily administration.

Results of Operations

Select expenses incurred by the Company are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
	$	$
Exploration and evaluation expenses	**4,284,046**	4,629,117
General and administrative expenses:		
Salaries and benefits	**1,170,307**	936,004
Consulting	**608,055**	483,129
Stock-based compensation	**354,402**	334,780
Travel	**258,703**	252,996
Office facilities and administrative costs	**195,644**	201,042
Audit and legal	**151,788**	127,254
Investor relations and shareholder information	**148,322**	122,766
Office and sundry	**111,991**	93,404
Other	**89,612**	87,464
Total general and administrative expenses	**(3,088,824)**	(2,638,839)
Write-off of water rights	**(390,338)**	-
Impairment of deferred engineering management deposit	**(568,895)**	-
Foreign exchange gain (loss)	**48,418**	(13,871)
Interest income	**4,140**	9,699
Net comprehensive loss	**(8,279,545)**	(7,272,128)

The majority the exploration and evaluation expenses incurred for the years ended December 31, 2013 and December 31, 2012 relate to work conducted on Gibellini. These costs include: $1.5 million (2012 - $812 thousand) for environmental permitting; $904 thousand (2012 - $344 thousand) for metallurgy; $793 thousand (2012 – $2.2 million) for engineering, procurement and construction management; $295 thousand (2012 - $354 thousand) for office and administrative costs directly related to Gibellini; $259 thousand (2012 - $5 thousand) for power; and $161 thousand (2012 - $1 thousand) for water. During the year ended December 31, 2013, the Company recovered $172 thousand in over-charges incurred in previous periods for a feasibility study on Gibellini. Other exploration and evaluation expenses were for the year ended December 31, 2013 were $839 thousand (2012 - $1.3 million) for various other property expenses.

In addition to exploration and evaluation expenses, the Company incurred a $390 thousand expense on the write-off of certain capitalized water right payments following the cancellation of an agreement for water rights that were considered unnecessary as the Company has secured other more favourable rights. Also in 2013, the Company the recognized a $569 thousand impairment on deposit previously paid on the commencement of an EPCM contract in 2011. The impairment was recognized because it was determined that economic benefits from the balance may no longer flow to the company. The basis for this conclusion is that the Company has recently hired mine and metallurgical staff internally and has suspended work to be provided by the contractor until their role has been reassessed. Additionally, the contractor's ability to repay the balance is in doubt. However, as contract negotiations take place and the actual amount recoverable becomes known, the Company may recognize a recovery on impairments recorded to date.

Corporate-level activity increased somewhat in the year ended December 31, 2013 compared with 2012, as the Company grew its energy storage strategy and pursued various financing initiatives. As a result, the following cost increases were incurred:

Salaries and benefits expense increased from $936 thousand to $1.2 million reflecting an increase in staff levels. Consulting expenses increased from $483 thousand to $608 thousand as the Company developed international industry relationships and evaluated potential future markets for vanadium.

Other general and administrative expenses were consistent between the years ended December 31, 2013 and 2012.

The Company recorded a $48 thousand foreign exchange gain for the twelve months ended December 31, 2013 which resulted from a decrease in the value of the Canadian dollar against the US dollar, which positively affected the translation of net assets denominated in US dollars.

Financial Condition, Liquidity and Capital Resources

As at December 31, 2013, the Company's working capital was $143 thousand, compared to working capital of $1.2 million as at December 31, 2012. The decrease in the Company's working capital during the year ended December 31, 2013 resulted from cash expenditures for mineral exploration and evaluation, as well as for general and administrative purposes, which were partially offset by proceeds from the sale of shares.

The Company will use its existing working capital to fund near-term general and administrative expenses, but additional funds will be required to fund the required permitting process and design, engineering and development costs for a mine at Gibellini and to pay for administrative expenses. The Company's ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty. The Company will continue to identify alternative sources of financing, but anticipates reliance on equity markets in the near term. Although the Company has been able to access these markets in the past, there is no assurance that it will be able to raise funds on favourable terms in the future.

On April 11, 2013, the Company completed a non-brokered private placement of 1,607,698 common share units, consisting of one common share and one-half of one common share purchase warrant, at a price of $0.70 per unit for gross proceeds of $1.1 million. On September 30, 2013, the Company completed the first of two tranches to a non-brokered private placement of 8,130,000 common share units at a price of $0.50 per unit for gross proceeds of $4.1 million. Each unit consists of one common share, one-half of one common share purchase warrant exercisable at $0.60 and one-half of one common share purchase warrant exercisable at $0.80, at a price of $0.50 per unit. On November 4, 2013, the Company completed the second tranche for another 3,530,000 units for gross proceeds of $1.8 million. Total transaction costs of $234 thousand were incurred for these private placements, including $7 thousand representing the fair value of compensatory warrants issued to placement agents.

In addition to the net proceeds from these private placements, $37 thousand was received through the exercise of stock options during the year ended December 31, 2013.

In March 2014, the Company completed the first tranche of a non-brokered private placement of 10,000,000 common share units at a price of $0.40 per unit for gross proceeds of $4.0 million. Each unit consists of one common share and one-half of one common share purchase warrant.

Fourth Quarter Results

For the fourth quarter of 2013, the Company incurred a consolidated net loss and comprehensive loss of $4.0 million. The most significant expense incurred during the quarter was $2.0 million in exploration and evaluation expenses, which included $675 thousand for environmental permitting, $328 thousand for metallurgical work, $207 thousand for power, $161 thousand for payment of water rights cancellation charges, and $155 thousand for EPCM charges in addition to other ongoing Gibellini project costs totalling $480 thousand. Other expenses during the quarter were $600 thousand for salaries and benefits, which included the payment of certain bonus shares earned on reaching certain milestones, $569 thousand for the impairment of the EPCM deposit discussed under the heading "Results of Operations", herein, and $306 thousand for stock-based compensation recorded on stock options granted and vested in the quarter. Other expenses incurred were comparable with other quarters during the year.

Summary of Quarterly Results

A summary of quarterly results for the Company's eight most recent quarters is as follows:

For the Three Months Ended	Exploration and Evaluation[1]	General Expenses[2]	Stock-based Compensation[2]	Interest Income[3]	Net Comprehensive Loss[4]	Basic and Diluted Loss Per Share
	$	$	$	$	$	$
December 31, 2013	2,028,016	1,123,070	306,945	(2,790)	4,007,104	0.10
September 30, 2013	382,295	541,676	29,690	(199)	1,332,815	0.04
June 30, 2013	952,926	551,513	3,672	(534)	1,512,081	0.04
March 31, 2013	920,809	518,163	14,095	(617)	1,427,545	0.04
December 31, 2012[5]	1,004,061	512,166	17,732	(1,352)	1,567,430	0.05
September 30, 2012[5]	1,238,299	539,863	41,620	(1,814)	1,784,533	0.06
June 30, 2012[5]	989,741	673,895	180,340	(2,305)	1,818,146	0.07
March 31, 2012[5]	1,397,016	578,135	95,088	(4,228)	2,102,019	0.08

Explanatory Notes:

1. Exploration and evaluation costs between the three months ended March 31, 2012, December 31, 2012 and December 31, 2013 were higher than other quarters, primarily owing to environmental permitting and engineering charges incurred to complete the Plan of Operations.
2. General expenses have been consistent in reported periods with the exception of the period ended December 31, 2013, in which additional staff and the payment of shares earned on achieving certain performance milestones resulted in a substantial increase in salaries and benefits expense.

   Between the quarters ended June 30, 2012 and December 31, 2013, the Company did not grant significant numbers of options and those granted with vesting conditions vested. As such, there was a general decline in stock-based compensation. In the fourth quarter of 2013, the Company granted over 1.2 million options, most of which were fully-vested, so there was an increase in stock-based compensation for the period.
3. The Company earns interest income from funds on deposit but has no operating revenue. Interest income is dependent upon the amount of funds on deposit and interest rates paid.
4. Net comprehensive loss is typically a result of exploration and evaluation expenses, general expenses and stock-based compensation. However, In the three months ended September 30, 2013, the Company recorded a $390 thousand write-down of water rights and in December 31, 2013, an additional expense was recorded for the $569 thousand impairment of a deposit.
5. Following the change described under "Voluntary Change in Accounting Policy," herein, amounts reported for exploration and evaluation expense, net loss and loss per share for certain periods have been restated.

Transactions with Related Parties

During the year ended December 31, 2013, a $78,000 (2012 - $78,000) expense was recorded for office facilities, corporate and administrative services provided by Ionic Management Corp., a company jointly controlled by a Brian Bayley, a director of the Company, of which $8,891 is included in accounts payable and accrued liabilities as at December 31, 2013 (December 31, 2012 - $27,605).

During the year ended December 31, 2013, a $180,000 expense (2012 - $180,000) was recorded for consulting services provided by Cansource International Enterprises Inc, a company jointly controlled by Ron MacDonald, a former director of the Company. Included in accounts payable and accrued liabilities at December 31, 2013 is an advance of $15,750 (December 31, 2012 - $nil) payable to this related company.

Included in prepaid expenses as at December 31, 2013 is $10,000 (December 31, 2012 - $10,000) advanced to Bill Radvak, the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company's behalf. Included in accounts payable and accrued liabilities as at December 31, 2013 is $8,271 (December 31, 2012 - $10,186) owing to this Mr. Radvak.

Included in accounts payable and accrued liabilities as at December 31, 2013 is $15,200 (December 31, 2012 - $21,453) owing to the Mike Doyle and $4,057 (December 31, 2012 - $4,343) owing to the Ron Espell, both officers of the Company.

In addition to the aforementioned related party transactions, salaries and benefits and other compensation earned directly by key members of the Company's management and directors are as follows:

	For the Year Ended December 31, 2013	For the year ended December 31, 2012
	$	$
Salaries and benefits, including the value of performance shares vested	**547,945**	451,066
Consulting fees	**170,076**	96,442
Stock-based compensation recognized	**193,219**	185,254
Total compensation	**911,240**	732,762

Financial Instruments and Risk Management

As at December 31, 2013, the Company's financial instruments are comprised of cash, amounts receivable, reclamation deposits and accounts payable and accrued liabilities. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3
	$	$	$
Cash	1,460,897	-	-

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

A portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in this currency. A significant change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations and, as at December 31, 2013, the Company held $728,778 in net liabilities denominated in United States dollars. A prolonged $0.10 increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a $72,877 foreign exchange gain (loss) based on United States dollar denominated liabilities as at December 31, 2013.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the likely short term cash requirements and further funding will be required to meet long-term requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest bearing accounts which pay relatively low rates of interest, the Company considers the interest rate risk to be limited.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at April 29, 2014:

Common shares issued and outstanding :	57,400,198 [1]
Shares issuable on the exercise of outstanding stock options:	3,889,250 [2]
Shares issuable on the exercise of share purchase warrants:	19,157,415

1 In addition to the current number of issued and outstanding shares, the Company's Board has approved for the issuance of up to an additional 1,080,000 common shares in the form of performance-based compensatory shares or restricted share units, whose release is subject to the achievement of strategic and financial milestones. Of these, milestones for 200,000 have been met, and the related shares are scheduled for release during the remainder of 2014.

2 Of stock options outstanding, 687,500 are vested and "in-the-money".

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Those estimates and judgments considered most significant are as follows:

i. Mineral properties

The measurement, depletion and impairment of mineral properties are based on various judgments and estimates. These include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties.

Differences between actual and anticipated reserves, mineral revenues and costs could result in future impairments being recognized.

ii. Deferred engineering management expense and deposit

The carrying value of the deferred engineering expense and deposit, as well as the expense recognized in a reporting period, is based on the percentage of estimated total duration of a project phase that has been incurred to a reporting date. This calculation requires management to estimate the total duration of a project phase, which it does in consultation with the contractor.

Any impairments recognized on the carrying value of the deferred engineering expense and deposit are based on assessments of the contractor's ability to provide future services of value or to refund any prepaid amounts. In making such estimates and judgments, management considers its intentions and ability to continue with the EPCM contract, and whether any contract terminations or amendments would result in the Company foregoing any value from the balance carried. Additionally, in assessing whether an impairment should be recorded, management must make judgments on the contractor's ability to refund amounts owed to the Company or to complete contracted services for which prepayments have been made. Should the actual outcomes of these factors differ from those estimated by management, the Company may recognize a significant change in the carrying value of the deferred engineering management expense and deposit.

iii. Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iv. Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

v. Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

vi. Restricted share units and performance shares

The determination of whether or not the achievement of performance milestones for restricted share units and performance shares is likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed.

Voluntary Changes to Accounting Policy and Initial Adoption of New IFRS

Voluntary change to account policy

The Company is party to a long-term EPCM contract. Payments made pursuant to the contract are initially recorded as a deferred expense asset, which is then amortized on a percentage-of-completion basis. Percentage-of-completion is measured on the basis of elapsed time since the inception of the contract as a proportion of the estimated duration required to complete the related work.

As at and prior to December 31, 2012, the Company measured percentage-of-completion for the EPCM contract on the basis of hours spent on the related project by the contractor as a proportion of total expected hours required. Commencing January 1, 2013, the Company now measures percentage-of-completion on the basis of elapsed time since the inception of the contract as a proportion of the estimated duration of the related work. The change in the basis of measurement of percentage-of-completion was made in order to more accurately recognize the Company's contract expense in a reported period.

The change in measurement basis for percentage-of-completion has been applied retrospectively to all periods reported in these condensed consolidated interim financial statements. Although the total expense pursuant to the contract does not change, the timing of recognition of this expense over the life of the contract has resulted in comparative balances being different than those that were previously reported.

A reconciliation of certain comparative balances, as initially presented in accordance with the previous basis of measurement, to their current presentation is included in Note 3 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2013.

Initial adoption of new IFRS

The Company adopted the following new IFRS that became effective for fiscal years starting on January 1, 2013, none of which had a significant impact on the Company`s financial results:

i. IAS 1, "*Presentation of Financial Statements*"

IAS 1 was amended to change the disclosure of items presented in other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.

ii. IAS 32, "*Financial Instruments: Presentation*"

IAS 32 was amended to clarify requirements for offsetting financial assets and financial liabilities.

iii. IFRS 7, “*Financial Instruments: Disclosures*”

IFRS 7 was amended to enhance disclosure requirements related to offsetting financial assets and financial liabilities.

iv. IFRS 10, “*Consolidated Financial Statements*”

IFRS 10 replaced the guidance on control and consolidation in IAS 27, “*Consolidated and Separate Financial Statements*”, and SIC-12, “*Consolidation - Special Purpose Entities*”. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

v. IFRS 11, “*Joint Arrangements*”

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 superseded IAS 31, “*Interests in Joint Ventures*” and SIC-13, “*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*”.

vi. IFRS 12, “*Disclosure of Interests in Other Entities*”

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

vii. IFRS 13, “*Fair Value Measurement*”

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances.

Future Changes in Accounting Policies

i. IAS 32, “*Financial Instruments: Presentation*”

IAS 32 is amended to clarify requirements for offsetting financial assets and financial liabilities. This accounting policy is effective for fiscal years beginning on or after January 1, 2014.

ii. IFRS 9, “*Financial Instruments*”

The IASB intends to replace IAS 39 – “*Financial Instruments: Recognition and Measurement*” in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018

Changes in Directors

On September 30, 2013, Brett Whalen was appointed to serve on the Board of Directors of the Company.

On April 8, 2014, Ron MacDonald resigned as a director of the Company. Mr. MacDonald served as the Company`s Chairman, and has been replaced in this role by Mr. Whalen.

Risks and Uncertainties

Exploration of mineral properties involves a high degree of risk and the successful achievement of a profitable operation cannot be assured. Costs of finding and evaluating an ore body are substantial, and may take several years to complete. The Company must overcome many risks associated with an early stage exploration property. Outstanding items to be completed include, but are not limited to, identification and quantification of a commercially viable ore body, confirmation of the Company's interest in the underlying claims and leases, completion of a feasibility study, funding of all costs related to a commercial operating venture, completion of the permitting process, detailed engineering and the procurement of a processing plant, and constructing a facility to support the property. Construction and operational risks including, but not limited to, equipment and plant performance, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating property.

External financing, primarily through the issuance of common shares will be required to fund its activities. There can be no assurance that it will be able to do so in the future.